Document No. 18

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return: Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $1.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: Pennington County

2. Designation of issue: $10,000,000 Series 2003A Certificates of Participation
$2,520,000 Series 2003B Certificates of Participation
(Limited Tax General Obligation) Evidencing Proportionate Interests of the Owners of in a Lease Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

3. Date of issue: March 19, 2003

4. Purpose of issue: finance the (a) acquisition, construction, remodeling, expansion and equipping of facilities, which may include some or all of the following: (i) the existing jail, (ii) the new jail and (iii) the public safety building (collectively the "Facilities"), to be located on certain real estate owned by the County (the "Land") and (b) refunding of the Certificates of Participation evidencing the Lease Purchase Agreement between the Pennington County Jail Compact and the Pennington County Building Authority (the "Series 1993 Certificates") which financed the construction of the existing jail by means of a lease-purchase financing as authorized by Chapter 7-25, South Dakota Codified Laws, as amended

5. Type of bond: Certificates of Participation Evidencing Proportionate Interests of the Owners of the Series 2003 Certificates of Participation in a Lease Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

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over

6. Principal amount and denomination of bond:

Series 2003A $10,000,000 in denominations of $5,000 or any integral multiple thereof
Series 2003B $2,520,000 in denominations of $5,000 or any integral multiple thereof

7. Paying dates of principal and interest:

See attached Official Statement

8. Amortization schedule:

See attached Official Statement

9. Interest rate or rates, including total aggregate interest cost:

See attached Official Statement

This is to certify that the above information pertaining to

Pennington County

is true and correct on this 19th day of March, 2003.

LINDQUIST & VENNUM P.L.L.P., as
Bond Counsel

By: _____

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, Minnesota (612/371-3535).

NEW ISSUE **RATING: Moody's "AAA"**

SERIES 2003A CERTIFICATES BANK QUALIFIED **See Rating herein**

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, under existing laws, regulations, rulings and decisions, the interest component of the Lease Payments received by the owners of the Series 2003 Certificates is not includible in gross income for federal income tax purposes except under certain conditions. The interest component of the Lease Payments received by the owners of the Series 2003 Certificates is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers, including individuals. For purposes of acquisition by banks and other financial institutions the County will designate a portion of the Lease and the Series 2003A Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. The interest component of the Lease Payments received by the owners of the Series 2003 Certificates is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws Chapter 10-43.

$10,000,000 Series 2003A Certificates of Participation
$2,520,000 Series 2003B Certificates of Participation
(Limited Tax General Obligation)
Evidencing Proportionate Interests of the Owners
in a Lease Purchase Agreement between

U.S. BANK NATIONAL ASSOCIATION
and
PENNINGTON COUNTY, SOUTH DAKOTA

Dated: March 1, 2003 **Due: December 1, as shown on inside cover**

The Certificates of Participation Series 2003A (the "Series 2003A Certificates") are being issued (i) to finance the acquisition, construction, remodeling, expansion and equipping of (i) the existing jail, (ii) the new jail and (iii) the public safety building (the "Facilities") on certain real property (the "Land") located in the City of Rapid City, South Dakota and (ii) to pay the cost of issuance of the Series 2003A Certificates. The Certificates of Participation Series 2003B (the "Series 2003B Certificates") are being issued to refinance the Certificates of Participation evidencing undivided interests in the Lease Payments to be made by the Pennington County Area Jail Compact pursuant to a Lease-Purchase Agreement with the Pennington County Building Authority (the "Series 1993 Certificates") which were issued to finance the construction of the existing jail. Collectively, the Series 2003A Certificates and the Series 2003B Certificates are referred to as the "Series 2003 Certificates." The Series 2003 Certificates represent proportionate interests in lease payments (the "Lease Payments") made under a Lease-Purchase Agreement, dated as of March 1, 2003, (the "Lease"), pursuant to which Pennington County, South Dakota (the "County"), as lessee, is leasing the Land and Facilities from U.S. Bank National Association (the "Trustee"), as lessor. The Series 2003 Certificates are issued pursuant to a Declaration of Trust, dated as of March 1, 2003 (the "Declaration of Trust") by the Trustee, and joined in by the County. The Series 2003 Certificates are subject to redemption prior to maturity as described herein.

Payment of the principal of and interest on the Series 2003 Certificates when due will be insured by financial insurance policies to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Series 2003 Certificates.

MBIA

THE COUNTY'S OBLIGATION TO MAKE THE LEASE PAYMENTS UNDER THE LEASE IS A NONCANCELLABLE OBLIGATION OF THE COUNTY, AND IS NOT SUBJECT TO ANY ANNUAL TERMINATION RIGHT OF THE COUNTY. THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE IS A LIMITED TAX GENERAL OBLIGATION OF THE COUNTY, AND ANY AD VALOREM TAXES LEVIED THEREON ARE SUBJECT TO THE COUNTY'S STATUTORY LEVY LIMITS.

The Series 2003 Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2003 Certificates. Purchases of beneficial ownership interests in the Series 2003 Certificates will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the Series 2003 Certificates will not receive certificates evidencing their ownership interests in the Series 2003 Certificates. So long as DTC or its nominee is the registered owner of the Series 2003 Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Interest due with respect to the Series 2003 Certificates is payable semiannually on June 1 and December 1 of each year commencing June 1, 2003.

The Series 2003 Certificates are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, subject to delivery to and acceptance by the Underwriter, and subject to certain other conditions, including an opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to legality and tax exemption. Certain legal matters will be passed upon for the County by Jay Alderman, Esq., Deputy State's Attorney, and for the Underwriter by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota.

Delivery of the Series 2003 Certificates offered hereby will be made on or about March 19, 2003, against payment therefor by the Underwriter.

RBC DAIN RAUSCHER INC.

The date of this Official Statement is March 11, 2003

MATURITY SCHEDULE

Series 2003A Certificates

Date	Principal Amount	Interest Rate	Yield
December 1, 2008	$170,000	2.80%	2.45%
December 1, 2009	495,000	3.00	2.85
December 1, 2010	510,000	3.25	3.12
December 1, 2011	525,000	3.50	3.25
December 1, 2012	545,000	3.50	3.35
December 1, 2013	565,000	3.45	3.45
December 1, 2014	590,000	3.55	3.55
December 1, 2015	615,000	3.65	3.65
December 1, 2016	640,000	3.80	3.80
December 1, 2017	665,000	3.90	3.90
December 1, 2018	695,000	4.00	4.00
December 1, 2019	725,000	4.00	4.10
December 1, 2020	760,000	4.125	4.20
December 1, 2021	795,000	4.25	4.30
December 1, 2022	835,000	4.375	4.40
December 1, 2023	870,000	4.40	4.45

Series 2003B Certificates

Date	Principal Amount	Interest Rate	Yield
December 1, 2003	$375,000	1.10%	1.10%
December 1, 2004	450,000	1.25	1.25
December 1, 2005	455,000	1.45	1.45
December 1, 2006	460,000	1.75	1.75
December 1, 2007	470,000	2.15	2.15
December 1, 2008	310,000	2.55	2.55

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2003 CERTIFICATES BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT SINCE THE DATE HEREOF.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$10,000,000 Series 2003A Certificates of Participation
$2,520,000 Series 2003B Certificates of Participation
(Limited Tax General Obligation)
Evidencing Proportionate Interests of the Owners
in a Lease Purchase Agreement between

U.S. BANK NATIONAL ASSOCIATION
and
PENNINGTON COUNTY, SOUTH DAKOTA

INTRODUCTION

Definitions

Certain terms used in this Official Statement are defined in Appendix A hereto.

General Description

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of $10,000,000 aggregate principal amount of Series 2003A Certificates and $2,520,000 aggregate principal amount of Series 2003B Certificates described herein. Each series of the Series 2003 Certificates represents the undivided ownership interest of the Owner thereof in and to the Lease-Purchase Agreement, dated as of March 1, 2003 (the "Lease"), by and between the Trustee as lessor and the County as lessee, and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the Lease, at the times, in the manner and from the sources specified therein.

The Trustee has issued the Series 2003 Certificates pursuant to a Declaration of Trust, dated as of March 1, 2003 (the "Declaration of Trust"). The Trustee's interest in the Lease and in the Facilities, including the right to receive Lease Payments, has been assigned to the Trustee for the benefit of the Owners of the Series 2003 Certificates pursuant to the terms of the Declaration of Trust. Pursuant to the Lease, the County will remit such Lease Payments directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENT—Lease Term and Payments."

Pursuant to the Ground Lease, dated as of March 1, 2003 (the "Ground Lease"), the Trustee leases the Land from the County for a term ending on December 1, 2023, automatically extendable for an additional 10 year term if the Series 2003 Certificates have not been paid.

Pursuant to the Lease the Trustee will cause the Facilities to be constructed on the Land and leases the Land and the Facilities to the County for a term ending on December 1, 2023.

THE CERTIFICATES OF PARTICIPATION

General Provisions

Each series of the Series 2003 Certificates will be authenticated and issued by the Trustee pursuant to the Declaration of Trust. Each series of the Series 2003 Certificates will be initially dated as of March 1, 2003 and will mature as shown on the cover page hereof. Interest on the Series 2003 Certificates is payable on each June 1, and December 1, commencing June 1, 2003. The Series 2003 Certificates are issuable in denominations of $5,000. Each Series 2003 Certificate evidences the Owner's right to receive distributions of a portion of the Lease Payments payable by the County pursuant to the Lease.

Principal, redemption price and interest will be payable to the beneficial owners of the Series 2003 Certificates through the facilities of DTC for so long as the book-entry system is in effect. See "BOOK-ENTRY ONLY SYSTEM" below. In the event that the book-entry system is discontinued for the Series 2003 Certificates: (1) the principal and redemption price of the Certificates will be payable at the principal corporate office of the Trustee in St. Paul, Minnesota; and (ii) interest will be payable by check or draft of the Trustee mailed on the Interest Payment Date to the persons who were registered owners thereof as of the

fifteenth day of the month preceding the Interest Payment Date. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due.

Series 2003 Certificates may be transferred or exchanged upon surrender at the principal corporate office of the Trustee, in the manner provided in the Declaration of Trust.

Redemption

Extraordinary Redemption. The Series 2003 Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments upon the occurrence of certain events of damage to, or destruction or condemnation of the Facilities.

Optional Redemption. The Series 2003 Certificates maturing on and after December 1, 2014, are subject to redemption on and after December 1, 2013, in whole on any date or in part on any date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

Selection of Series 2003 Certificates for Redemption. The Series 2003 Certificates shall be called for redemption in whole or in part, and if in part, at the option of the County and in such order as the County shall determine. If less than all the Series 2003 Certificates of a maturity are called for redemption, the County will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity and series to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. The County shall cause notice of the call for redemption to be mailed by certified or registered mail to the registered owners of any Series 2003 Certificates to be redeemed at their addresses as they appear on the certificate register at least 30 days prior to the designated redemption date.

Notice of Redemption. When redemption is authorized or required, the Trustee shall give the Owners of the Series 2003 Certificates to be redeemed notice of the redemption of their Series 2003 Certificates. Such notice shall specify: (a) the Series 2003 Certificates to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the Series 2003 Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than 30 days prior to the redemption date by mailing first class, postage prepaid, copies thereof to the Owners whose Series 2003 Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to mail such notice and any defect in such notice shall not affect the validity of the proceedings for the redemption of any Series 2003 Certificate not affected by such failure or defect.

Book-Entry Only System

The Depository Trust Company ('DTC"), New York, NY, will act as securities depository for the Series 2003 Certificates. The Series 2003 Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2003 Certificate will be issued for each maturity and for each series of the Series 2003 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing

corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange. Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of ownership interest in Series 2003 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each interest in a Series 2003 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2003 Certificates, except in the event that use of the book-entry system for the Series 2003 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2003 Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the Series 2003 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2003 Certificates. Under its usual procedures, DTC will mail an omnibus proxy to the County as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the Series 2003 Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2003 Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, physical Series 2003 Certificates are required to be printed and delivered. Further, the County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). in that event, Series 2003 Certificates will be printed arid delivered.

The foregoing description concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and neither the County nor the Underwriter takes responsibility for the accuracy thereof and no representation is made herein as to the accuracy or completeness of such information.

The County and the Trustee cannot and do not give any assurances that DTC, DTC Participants, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the Series 2003 Certificates, (ii) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2003 Certificates, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2003 Certificates, or that they will do so on a timely basis or that DTC, DTC Participants, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2003 CERTIFICATES AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

Payments Upon Abandonment of Book-Entry-Only System

In the event that the book-entry-only system described above is no longer used with respect to the Series 2003 Certificates, interest on the Series 2003 Certificates will be payable to the persons whose names appear on the registration books of the Registrar as Holders thereof as of the fifteenth day of the month next preceding an Interest Payment Date (each a "Record Date") by check or draft mailed by first-class mail, postage prepaid, on the Interest Payment Date to such Holder at his or her address as it appears on the registration books. Principal of and redemption premium, if any, are payable upon presentation and surrender of the Series 2003 Certificate at the maturity or the prior redemption thereof at the principal office of the Registrar in St. Paul, Minnesota.

Transfer and Exchange Upon Abandonment of Book-Entry-Only-System

In the event that the book-entry-only system described above is no longer used, upon receipt by the Registrar of the outstanding Series 2003 Certificates, new Series 2003 Certificates are to be authenticated and delivered in such denominations (of $5,000 and integral multiples thereof) and registered in the names of such persons as are requested by the County. Thereafter, the registration of any Series 2003 Certificate may be transferred upon the registration books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2003 Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The County shall thereupon execute and the Trustee authenticate and deliver to the transferee a new Series 2003 Certificate or Series 2003 Certificates of like tenor, series and aggregate principal amount. Any Series 2003 Certificate may be exchanged for an equal aggregate principal amount of such series of Series 2003 Certificates of any authorized denominations at the option of the Holder thereof upon the surrender thereof at the principal office of the Trustee in St. Paul, Minnesota. The County will not be required to register any such transfer of or to exchange any Series 2003 Certificate after the mailing of notice calling such Series 2003 Certificate for redemption has been given or during the 15 days preceding the giving of any notice of redemption.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and

interest on, the Series 2003 Certificates as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2003 Certificates pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2003 Certificates. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Series 2003 Certificates upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Series 2003 Certificates resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2003 Certificates.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2003 Certificate the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003 Certificate or presentment of such other proof of ownership of the Series 2003 Certificate, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003 Certificate as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2003 Certificate in any legal proceeding related to payment of insured amounts on the Series 2003 Certificate, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2003 Certificate, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Series 2003 Certificates or the advisability of investing in the Series 2003 Certificates.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2003 Certificates offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited), and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2003 Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2003 Certificates. MBIA does not guaranty the market price of the Series 2003 Certificates nor does it guaranty that the ratings on the Series 2003 Certificates will not be revised or withdrawn.

SOURCE AND SECURITY FOR PAYMENTS

Lease Payments

The Lease requires payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments are due from the County on the third Business Day preceding the end of each May and November.

The Lease is not subject to termination by the County except upon payment or prepayment of the Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in the Resolution that it will budget and appropriate sufficient moneys in each year of the Lease term to pay the Lease Payments when due and to pay any other amounts payable by the County under the Lease. The County further covenants in the Resolution that it will take all actions necessary to provide moneys to make such payments under the Lease, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by South Dakota law. The current and proposed limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Lease are discussed below.

Levy Limitations

The tax levy for general purposes by a county in South Dakota cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to 90¢ per thousand dollars of taxable valuation for county buildings. The County may use the proceeds of both the general purpose levy and the county building levy to pay Lease Payments. The County combines these levies as the consolidated levy which for the 2002 tax year was $5.1463 per thousand dollars of taxable valuation.

Statutory Tax Freeze

Section 10-13-35, South Dakota Codified Laws, provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent or the CPI inflation index, increases in revenues from additions, improvements or change in use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. The revenue limitations may be exceeded by an excess tax levy imposed by a two-thirds vote of the governing body of the county, subject to a referendum by the electors of the County.

Limitation of Bond Insurance

The Series 2003 Certificates are payable solely from moneys received by the Trustee pursuant to the Lease Agreement and the Declaration of Trust. In the event that the County fails to provide funds to pay the principal of and interest on the Series 2003 Certificates when due, any owner of Series 2003 Certificates shall have recourse against the Bond Insurer for such payments. However, the Bond Insurance Policy does not insure the principal of or interest on the Series 2003 Certificates coming due by reason of acceleration, optional or extraordinary redemption nor does it insure the payment of any redemption premium payable upon the redemption of the Series 2003 Certificates. In any of the foregoing events, Certificateholders are required to be paid under the Bond Insurance Policy in accordance with the maturity schedule and payment dates provided for in the Series 2003 Certificates without consideration of any such acceleration, optional or extraordinary redemption or mandatory tender.

THE PROJECT

The Project consists of (a) the acquisition, construction, remodeling, expansion and equipping of facilities, which may include some or all of the following: (i) the existing jail, (ii) the new jail and (iii) the public safety building (collectively the "Facilities"), to be located on certain real estate owned by the County (the "Land") and (b) refunding the Certificates of Participation evidencing the Lease Purchase Agreement between the Pennington County Jail Compact and the Pennington County Building Authority (the "Series 1993 Certificates") which financed the construction of the existing jail by means of a lease-purchase financing as authorized by Chapter 7-25, South Dakota Codified Laws, as amended.

The existing jail is a four story building with a 264 bed capacity. The construction of the new jail addition adjacent to the existing jail will have parking on the first level, a 100 bed dormitory on the second level, and 110 cells on each of the third and fourth levels. The new jail will be connected by a corridor to the existing jail.

The existing 34,286 square foot public safety building has two floors and the 25,327 square foot expansion will add two additional floors and an indoor firing range.

SOURCES AND USES OF FUNDS

The sources and uses of funds, including proceeds of the sale and issuance of the Series 2003 Certificates are expected to be as follows:

Series 2003A Certificates

Sources

Series 2003A Certificates	$10,000,000

Uses

Construction Account	$9,857,140
Cost of Issuance, including Underwriter's Discount, original issue discount and bond insurance premium	142,860
Total	$10,000,000

Series 2003B Certificates

Sources

Series 2003B Certificates	$ 2,520,000
County Contribution	33,000
Total	$ 2,553,000

Uses

Refunding the Series 1993 Certificates	$ 2,520,000
Cost of Issuance, including Underwriter's Compensation and bond insurance premium	33,000
Total	$ 2,553,000

THE COUNTY

The County is a political subdivision, duly organized and existing under and pursuant to the constitution and laws of the State of South Dakota. The County has the authority to enter into a lease for the purpose of acquiring real and personal property for its governmental functions. General information regarding the County's location, organization, administration, economy, tax base, tax collections and financial condition is included in Appendix B to this Official Statement.

LEASE-PURCHASE AGREEMENT

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

Lease Term and Payments

The Lease is dated as of March 1, 2003, and extends until December 1, 2023. The Lease Payments commence on May 28, 2003 and are payable semiannually thereafter, with the last Lease Payment due on the third business day preceding the last day of November 2023.

The Lease shall terminate prior to December 1, 2023, upon the earliest of the following events:

(a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to pay or prepay all unpaid Lease Payments when they are due; or

(b) the County elects to exercise its option to prepay all of the Lease Payments.

The Lease is otherwise not terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Lease.

Consummation of Purchase

The Trustee's interest in the Land and Facilities will be transferred, conveyed and assigned to the County and the Lease will terminate upon payment of all Lease Payments due under the Lease, or upon prepayment of the Lease Payments or discharge of the County's obligation to make the Lease Payments in accordance with Article VIII of the Lease.

Covenants of the County

The County represents, covenants and warrants that: (a) the County is authorized under the Constitution and laws of the State of South Dakota to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Lease have been duly authorized to execute and deliver the Lease and (c) the Facilities will be used during the term of the Lease primarily to carry out the governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions.

Title to the Land and Facilities; Security

Title to the Land and Facilities will be held by the Trustee during the term of the Lease, unless the County discharges its obligation to make the Lease Payments pursuant to the Lease, at which time the Trustee will convey title to the County.

Title to the Land and Facilities will also pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all Lease Payments when due or subject to prepayment.

Maintenance and Repair

The County agrees that at all times during the term of the Lease, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

Restrictions on Assignment and Conveyance

The Lease and the Land and Facilities may not be sold, leased, pledged, assigned or otherwise encumbered by the County for any reason. Such restrictions shall not preclude the County from permitting the use of the Land

and Facilities by others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Lease.

Taxes

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof or the Lease Payments, and which become due during the term of the Lease with respect thereto; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due. The County shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

Insurance

The County shall cause adequate casualty, public liability and property damage insurance in specified amounts (with respect to the casualty insurance, in an amount not less than the full insurable value of the Facilities, but in no event less than the outstanding principal balance of the purchase price to be paid under the Lease) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events.

Indemnification Covenants

As between the Trustee and the County, the County assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. The County assumes responsibility for and agrees to reimburse the Trustee fur all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Events of Default and Remedies

The occurrence of one or more of the following events shall constitute an Event of Default under the Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid under the Lease at the time specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of 45 days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the

Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation, agreement or covenant of the County under the Lease or the Resolution, including without limitation enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

Damage, Destruction and Condemnation; Use of Insurance Proceeds

If, while the Lease is in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or, (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Land and Facilities.

If the net proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities, the County either (a) shall complete the work and pay any costs in excess of the amount of the net proceeds of insurance or a condemnation award, or (b) may apply the net proceeds to prepayment of Lease Payments.

DECLARATION OF TRUST

The following is a summary of certain provisions of the Declaration of Trust. This summary does not purport to be complete, and reference is made to the full text of the Declaration of Trust for a complete recital of its terms.

General

The Declaration of Trust is executed by the Trustee and joined in by the County. The purpose of the Declaration of Trust is to provide for the authentication, issuance, payment and redemption of the Series 2003 Certificates and to provide for the creation of the Trust Fund for the purposes hereinafter described.

The Certificates of Participation

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the Series 2003 Certificates in two series, the Series 2003A Certificates and the 2003B Certificates. The Series 2003 Certificates will be issued in the form provided in the Declaration of Trust and shall evidence the ownership interest of the Owners of the Series 2003 Certificates in and to the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the Lease and the Declaration of Trust, and all revenues derived from the Lease, any money made available for distribution to the Owners of the Series 2003 Certificates from the subsequent sale, leasing or other disposition of the Land and Facilities as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of Series 2003 Certificates.

Funds

The Declaration of Trust creates a fund known as the Trust Fund. All moneys and investments held by the Trustee under the Declaration of Trust are held for the benefit of the present and future Owners of the Series 2003 Certificates and shall be expended only as provided in the Declaration of Trust. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account and a Construction Account.

The Lease Payment Account

The Declaration of Trust establishes a Lease Payment Account into which shall be deposited the amount of accrued interest and capitalized interest received by the Trustee from the initial proceeds, any transfer from the Construction Account, all interest or income received by the Trustee with respect to the Lease or the Land and Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the Series 2003 Certificates on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the Series 2003 Certificates on such Payment Date. The Trustee shall transfer from the Lease Payment Account to the Redemption Account all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of Series 2003 Certificates.

The Trustee shall deposit into the Redemption Account all moneys paid to it by the County pursuant to any of the County's prepayment options and, in the event of termination of the Lease as a result of an event of default under the Lease, all net proceeds received from the sate or other disposition of the Land and Facilities. Also, in the event of termination of the Lease as a result of an event of default or the exercise by the County of its option to prepay Installment Payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the Series 2003 Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of Series 2003 Certificates within 30 days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject to another yield limitation Any moneys remaining in the Redemption Account after redemption of all outstanding Series 2003 Certificates shall be paid to the County.

The Construction Account

With respect to Series 2003A Certificates issued to finance improvements to the Facilities, the net proceeds of the Series 2003A Certificates other than the amounts deposited in the Lease Payment Account shall be deposited in the Construction Account. The Trustee shall make disbursements from the Construction Account from time to time, upon County certification, in payment or reimbursement of the costs of constructing the improvements to the Facilities.

Upon completion of all phases of construction, any balance in the Construction Account shall be transferred to the Series 2003A Lease Payment Account.

Rights of Trustee

In carrying out its duties and exercising its powers under the Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Series 2003 Certificate or to take any action at his request unless such Series 2003 Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Series 2003 Certificate shall be furnished to the Trustee.

The Declaration of Trust does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Declaration of Trust, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Series 2003 Certificates, the Declaration of Trust or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way defend any suit in which it may be made defendant, take any steps in the enforcement of any rights and powers under the Declaration of Trust until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Declaration of Trust, by notice in writing given to the Owners of the Series 2003 Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Series 2003 Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Series 2003 Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

THE GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

The County, pursuant to the Ground Lease, has leased the Land from the Trustee for a term commencing on the Closing Date and ending on December 1, 2023 (unless the Lease Payments have not been fully paid by that date, in which event, the term of the Ground Lease is automatically extended to December 1, 2033), for the purpose of (i) acquiring and constructing the Facilities on the Land. (ii) maintaining the Facilities, (iii) access, ingress, and egress to the Facilities, and (iv) other purposes as set forth therein.

TAX MATTERS

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Series 2003 Certificates, the interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates is not includible in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates is includible in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the Series 2003 Certificates and the application and investment of proceeds of the Series 2003 Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the Code), impose continuing requirements that must be met after the issuance of the Series 2003 Certificates in order for interest thereon to be and remain not includible in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates to be includible in federal gross income, retroactive to the date of issuance of the Series 2003 Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the Series 2003 Certificates or for an increase in the interest rate on the Series 2003 Certificates in the event that interest on the Series 2003 Certificates becomes includible in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includible in book income or in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the Series 2003 Certificates in determining the taxability of such benefits. Passive investment income, including the interest

component of the Lease Payments to be received by the Owners of the Series 2003 Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income.

The County will designate a portion of the Lease and the Series 2003A Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Series 2003A Certificates for purposes of Sections 265(b)(2) and 291 (e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the Series 2003A Certificates to lose their status as "qualified tax-exempt obligations" retroactive to the date of issuance of the Series 2003A Certificates.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the Series 2003 Certificates. Prospective purchasers or owners of the Series 2003 Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

RATING

Moody's Investors Service, Inc. has assigned its municipal bond rating of "Aaa" to the Series 2003 Certificates with the understanding that upon delivery of the Series 2003 Certificates, the Financial Guaranty Insurance Policy insuring the payment when due of the principal of and interest on the Series 2003 Certificates will be issued by MBIA.

Any explanation of the significance of the rating may be obtained from Moody's Investors Service, 99 Church Street, New York, New York 10007, telephone (212) 553-0300. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Series 2003 Certificates.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the Series 2003A Certificates upon their original issuance and delivery at a purchase price of $9,931,517.70 (reflecting an underwriter's discount of $67,500 and an original issue discount of $982.30). The Underwriter will purchase the aggregate principal amount of the Series 2003B Certificates upon their original issuance and delivery at a purchase price of $2,520,000. The County will pay the Underwriter its fee for the Series 2003B Certificates from other funds of the County. The Underwriter will purchase all of the Series 2003 Certificates offered hereby if any of the Series 2003 Certificates are purchased.

The Series 2003 Certificates are being offered for sale at the prices set forth on the cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2003 Certificates may be offered and sold to dealers, and dealers acquiring Series 2003 Certificates for their own account or an account managed by them at prices lower than public offering prices.

AVAILABILITY OF CONTINUING DISCLOSURE

On the date of original issuance of the Series 2003 Certificates, the County and the Trustee will enter into a Continuing Disclosure Agreement under which the County will agree to provide to the Trustee for filing with each nationally recognized municipal securities information repository, among other things: (i) certain financial information and operating data with respect to the County (described below) within 270 days after the end of each Fiscal Year of the County; and (ii) notice of those material events specified in Rule 15c2-12(b)5)(i)(c) of the Securities and Exchange Commission, as amended from time to time ("Rule 15c2-12"). The financial information and operating data to be provided by the County will include the audited general purpose financial statements of the County, prepared in accordance with generally accepted accounting principles, and may be provided by the filing of the County's consolidated annual financial report. The County's obligations under the Continuing Disclosure

Agreement will be modified to conform to any future amendments or supplements to Rule 15c2-12. The registered holders or beneficial owners from time to time of the outstanding Series 2003 Certificates are beneficiaries of the County's agreements in the Continuing Disclosure Agreement.

CERTAIN LEGAL MATTERS

The validity of the Lease and the Series 2003 Certificates, the tax-exempt status of the interest component of the Lease Payments and certain other matters will be passed upon by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the Certificates. Certain legal matters will be passed upon for the County by its counsel, Jay Alderman, Esq., Deputy State's Attorney, and for the Underwriter by Lindquist & Vennum P.L.L.P.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2003 Certificates to the Underwriter thereof, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver their opinion dated the date of such delivery that the Series 2003 Certificates, the Lease, the Ground Lease and the Declaration of Trust are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the Series 2003 Certificates, the Declaration of Trust, the Ground Lease and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Declaration of Trust, the Lease, and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

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APPENDIX A

DEFINITIONS

.4s used in the Lease, the Declaration of Trust and the Ground Lease described herein, the following terms have the meanings indicated below:

Act of Bankruptcy shall mean any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Authorized Newspapers shall mean a financial paper or a newspaper of general circulation in Pennington County, South Dakota.

Authorized Officer when used with respect to the County, shall mean the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer for purposes of the Declaration of Trust. The term "Authorized Officer," when used with respect to the Trustee, means any Vice President and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Construction Costs all costs of payment of or reimbursement for, acquisition, renovation, construction, installation and financing of the Facilities, including but not limited to, administrative costs, engineering costs, Costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of obtaining title insurance or a title opinion, printing costs, reproduction and binding costs, legal fees and charges, professional consultant fees, and charges and fees in connection with the foregoing; if the Series 2003 Certificates are secured by bond insurance or other credit enhancement, then, to the extent permitted by the Code, the initial premium or fee and any premium or fee paid during the construction of the Facilities, for such bond insurance or other credit enhancement shall be treated as part of the Construction Costs.

Cost of issuance shall mean all fees and expenses incurred by the County in connection with the execution and delivery of the Lease and the issuance of the Series 2003 Certificates, including, but not limited to, costs of preparing and printing the Series 2003 Certificates, the Lease, the Declaration of Trust, the Official Statement relating to the Series 2003 Certificates, and related documents; legal fees (including those of counsel to the Trustee, the County and the Underwriter); Rating Agency fees; bond insurance and the Trustee's initial fees.

Declaration of Trust shall mean the Declaration of Trust, dated as of March 1, 2003, by the Trustee and joined in by the County.

Facilities shall mean the buildings, structures and improvements now or hereafter located on the Land.

Fiscal Year shall mean the 12-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 of that year.

Interest shall mean the portion of any Lease Payment designated as and comprising interest as shown on Exhibit B to the Lease.

Land shall mean the real property described on Exhibit A to the Lease.

Lease shall mean the Lease-Purchase Agreement, dated as of March 1, 2003, between the Trustee, as lessor, and the County, as lessee, and any amendment thereof or supplement thereto.

Lease Payment shall mean the payment due from the County to the Trustee on each Payment Date during the term of the Lease, as shown on Exhibit B to the Lease.

Net Proceeds shall mean any insurance proceeds paid with respect to the Facilities remaining after payment therefrom of all expenses incurred in the collection thereof.

Outstanding shall mean the term "Outstanding," when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered, except: (a) any Certificate canceled or fully paid by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Declaration of Trust; and (c) for the sole purpose of determining the percentage of Certificate Owners consenting to an amendment of the Declaration of Trust or authorizing any action by the Trustee or the exercise of any remedy hereunder, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes, Certificates owned by the County or any such entity which are not described in (a) and (b) shall be treated as Outstanding hereunder.

Owner shall mean the terms "Owner," "Certificate Owner" or "Owner of Certificates" or any similar term, when used with respect to the Certificates, mean the registered owner of any Outstanding Certificate.

Payment Date shall mean the third Business Day preceding the end of May and November in each year.

Permitted Investments shall mean to the extent permitted by applicable law:

(a) (1) bonds or interest bearing notes or obligations of the United States or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Securities either directly or indirectly guaranteed by the United States.

(3) Repurchase agreements fully collateralized by securities described in (a)(l) or (2) meeting the requirements of Sections 4-5-6 and 4-5-9 South Dakota Codified Laws.

(4) Shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a)(1) and (2) and repurchase agreements described in (a)(3).

(5) Time deposits and interest-bearing accounts with any institution constituting a "qualified public depository" under Chapter 4-6A, South Dakota Codified Laws.

(b) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;

(c) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as

amended; bonds of any federal home loan bank established under said Act, obligations of the Federal Home Loan Mortgage Corporation;

(d) direct and general obligations of any state of the United States or any municipality or political subdivision of such state, if such obligations are rated in the highest rate category by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(e) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(f) negotiable certificates of deposit issued by a nationally or state chartered bank which are fully insured by the Federal Deposit Insurance Corporation; and

(g) guaranteed investment contracts of financial institutions rated in one of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc.

Principal shall mean the portion of any Lease Payment designated as principal in Exhibit B to the Lease.

Principal Office means the principal office of the Trustee situated in St. Paul, Minnesota, or any office so designated by a successor.

Resolution means the resolution adopted by the Board of County Commissioners of the County on February 11, 2003, relating to the issuance of the Series 2003 Certificates.

Series 2003 Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Declaration of Trust.

Underwriter shall mean RBC Dain Rauscher Inc. and its successors and assigns.

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APPENDIX B

INFORMATION CONCERNING THE COUNTY

Pennington County is located in southwestern South Dakota and comprises 2,776 square miles. Rapid City is the county seat and is located on I-90 and U.S. Highways 14 and 16. Pennington County was organized in 1877 and is governed by a Board of County Commissioners consisting of 5 members. The 2000 population census for the County was 88,565, compared to 81,343 in 1990.

Following are population figures for incorporated municipalities in Pennington County according to the U.S. Census:

	2000	1990
Box Elder	2,841	2,680
Hill City	780	650
Keystone	311	232
New Underwood	616	553
Quinn	44	72
Rapid City	59,607	54,523
Wall	818	834
Wasta	75	82

Employees & Pension Plans

Pennington County currently employs approximately 525 persons. Employees of the County are covered by the South Dakota Retirement System administered by the State of South Dakota. The employees are separated into two categories: Class A (all employees other than judicial and public safety), who are required by State statute to contribute 6% of their gross salary and Class B (sheriffs deputies and adult and juvenile corrections officers), who are required to contribute 8% of their gross salaries. The County is required to match all employee contributions. Such contributions and credited interest are 100 percent vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2002 was $1,007,506.97. Pennington County is not unionized; therefore they are not represented by any bargaining units and there are no employee contracts.

GOVERNMENTAL ORGANIZATION AND SERVICES

The County is governed by a five member board of Commissioners, all of whom are elected by district to overlapping four year terms of office. The current county board consists of the following individuals:

		Expiration of Term
Kenneth L. Davis	Chair	December 2006
Lyle Hendrickson	Vice Chairperson	December 2004
Delores Coffing	Commissioner	December 2006
Gale Holbrook	Commissioner	December 2006
James F. Kjerstad	Commissioner	December 2004
Glenn A. Brenner	State's Attorney	December 2004
Jay Alderman	Deputy State's Attorney	Appointed
Julie A. Pearson	Auditor	December 2002
Janet Sayler	Treasurer	December 2004

VALUATIONS

In South Dakota, the collection of all property tax revenues is handled by the County governments. Each County is required to conduct an annual assessment of all real property located in the County. State law requires that

all property be assessed at its full and true value as of the November 1 immediately preceding the assessment year. In the aggregate, taxable property is valued within a range of 85% to 100% of market value using the preceding year's sales as a benchmark. Property owners must be notified of the assessed value of their properties, and a property owner who desires to challenge the assessment may appeal to the appropriate Board of Equalization. South Dakota law creates local Boards of Equalization, the purpose of which are to equalize the assessed value of all properties and to see that all taxable property has been properly placed on the assessment roles and has been properly valued. The County Commission, sitting as a Board of Equalization, is the final local authority for hearing property owner appeals and equalizing the assessments of property, subject to a property owner's right to appeal the assessment to the Office of Hearing Examiners or to the Circuit Court. Each County's equalization proceedings for its annual assessment must be completed by the third week of May. South Dakota Codified Laws, Section 10-13-35, provides that, for levy years commencing in 1996, property taxes are to be levied on valuations where the median level of assessment represents eighty-five percent of the market value as determined by the Department of Revenue. The adjusted value so determined is referred to in this Official Statement as the "taxable value."

Real property taxes become due on January 1 of the year following the year in which the tax levy is made. Real property taxes become delinquent if not paid 50% by May 1 and the remaining 50% by November 1. Once levied, taxes become a perpetual lien upon the subject real property until paid. All property tax payments, after being collected by the County Treasurer, are turned over to the County Auditor.

Pennington County - 2002 Valuations (including Tax Increment District values)

Outside Corporate Limits	
Agricultural Outside Corporate Limits	$135,415,024
Non-Agricultural Owner Occupied Outside Corporate Limit	662,525,198
Non-Agricultural Outside Corporate Limits	262,723,154
Mobile Home Owner Occupied	20,429,083
Mobile Home Non-Owner Occupied	4,904,169
No Agriculture Other	11,687,124
Within Corporate Limits	
Agricultural Within Corporate Limits	1,365, 790
Non-Agricultural Within Corporate Limits	1,326,732,013
Non-Agricultural Owner Occupied - Within Corporate Limits	1,343,611,227
Mobile Home Owner Occupied	14,683,503
Mobile Home Non-Owner Occupied	3,497,365
No Agriculture Other	5,217,486
Total Taxable Value of Real Property	$3,792,791,136
Total Taxable Valuation of Centrally Assessed Properties (net of abatement)	
Utilities	152,535,825
Telephone - outside Corporate Limits	0
Total - All Property	$3,945,326,961

The following table illustrates the historical taxable value of real property for the County (excluding tax increment districts):

Levy Year	Taxable Value	Plus Utilities	Total Taxable Value
2002	$3,751,224,238	$152,535,825	$3,903,760,063
2001	3,291,284,794	133,530,663	3,424,815,457
2000	3,115,731,072	120,156,152	3,235,887,224
1999	2,885,448,539	121,184,926	3,006,633,465
1998	2,615,933,719	105,554,248	2,721,487,967
1997	2,451,067,774	95,509,000	2,546,576,774

FEDERAL PAYMENT IN LIEU OF TAXES

Under current federal law Payment in Lieu of Tax funds are distributed to Pennington County on an annual basis by the federal government as compensation for County services occasioned by the presence of non-taxable, federally owned property in Pennington County. The actual amount of these payments received over the last five years are as follows:

Federal Payment in Lieu of Taxes:	2002	$475,414
	2001	403,669
	2000	250,924
	1999	218,046
	1998	306,246
	1997	218,829
	1996	222,659

COUNTY CONSOLIDATED LEVIES

	Year of Collection				
Levy	2003	2002	2001	2000	1999
General Fund	$18,312,538	$17,268,826	$16,190,760	$14,622,461	$13,605,807
Emergency Disaster	0	0	0	10,223	10,070
Highway & Bridge	0	0	0	0	712,486
Building Fund	1,777,382	1,249,861	1,246,786	1,771,208	1,325,637

TAX COLLECTIONS

Levy Year	Amount of Levy	Collected First Year		Collected As of December 31, 2002	
		Amount	Percent Collected	Amount	Percent Collected
2002	$20,407,003	IN PROGRESS		IN PROGRESS	
2001	19,094,069	$18,776,561	98.34%	$18,776,561	98.34%
2000	17,716,102	17,406,150	98.26	17,625,659	99.48
1999	16,728,862	16,496,835	98.62	16,689,103	99.76
1998	15,965,109	15,814,609	99.03	15,946,736	99.88
1997	15,132,739	15,083,066	99.62	15,128,004	99.96

INDIRECT AD VALOREM DEBT

	Percent Taxable Value Within County	Ad Valorem Debt Outstanding 12/31/02	Applicable To County
Municipalities:			
Box Elder	100%	None	0
Hill City	100%	None	0
Keystone	100%	None	0
New Underwood	100%	$150,000	$150,000
Quinn	100%	None	0
Rapid City	100%	None	0
Wall	100%	None	0
Wasta	100%	None	0
School Districts:			
Custer	4.6%	935,000	43,010
Douglas	65.6%	0	0
Hill City	100%	5,690,000	5,690,000
New Underwood	99.8%	770,000	768,460
Rapid City	96.6%	23,560,000	22,758,960
Wall	99.9%	0	0
	Total Indirect Ad Valorem Debt		$29,410,430

DEBT LIMIT

The total indebtedness of the County may not exceed 5% of the actual assessed value of property within the County.

2002 Taxable Valuation	$3,903,760,063
	5.00%
Maximum Permitted Debt	195,188,003
Less:	
Certificates of Participation (as of 12/31/02)	9,955,000
Lease Purchase Obligations	1,188,335
Available Margin	184,044,668
Less: Principal portion of Series 2003 Certificate payments	12,520,000
Plus: Principal portion of the Series 1993 Certificates to be refunded	2,520,000
Available Margin	$174,044,668

DEBT RATIOS

	Amount	Per Capita[1]	Percent of Taxable Value
Direct Ad Valorem Debt (including the Lease)	$21,143,335	$238.73	.55%
Indirect Ad Valorem Debt	29,410,430	332.08	.76

[1] Based on the 2000 Census of 88,565

TEN LARGEST TAXPAYERS

Company	Type of Business	Taxable Valuation	Percent of Total Valuation
SDG Macerich Properties	Mall/retail	$36,233,172	0.92%
SCI	Manufacturing	12,466,743	0.32
Rushmore Plaza	Hotel	10,466,871	0.27
Wal-Mart	Retail	9,590,718	0.24
Regency RC Ventures	Hotel	8,942,508	0.23
Bradley Operating LTD	Retail	8,932,557	0.23
Physicians RE, LLP	Medical	8,303,505	0.21
LaCrosse Investors	Apartment	6,807,414	0.17
Rapid City Regional Hospital	Medical	6,334,137	0.16
Menards	Retail / Lumber	6,275,640	0.16

FINANCIAL STATEMENTS

The County is required by South Dakota law to be audited every other year. Attached hereto as APPENDIX C are the County's audit reports and financial statements for fiscal year 2001.

BASIS OF ACCOUNTING

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Pennington County's records are maintained in accordance with GAAP.

FUTURE FINANCING

The County currently has no plans to issue any additional bonds this calendar year.

INCOME

In statistics for the County and the State are given below:

	2001	2000	1999	1998
Median Household EBI:				
Pennington County	$37,485	$41,519	$39,313	$36,731
State	35,282	38,079	36,072	33,583
Retail Sales Per Household:				
Pennington County	$45,166	$43,565	$40,662	$42,450
State	41,152	53,144	51,275	30,507

Source: South Dakota Department of Labor and U.S. Census Bureau.

LABOR STATISTICS

	Pennington County Average Annual Civilian Labor Force	Average Annual Unemployment Pennington County	Average Annual Unemployment State of South Dakota
2002	47,900	2.8%	3.0%
2001	48,315	3.1	3.3
2000	47,520	2.0	2.3
1999	46,650	2.5	2.9
1998	46,757	2.6	2.9
1997	45,190	3.1	3.1
1996	45,315	3.4	3.3

Source: South Dakota Department of Labor

MAJOR EMPLOYERS

The larger employers located within the County are:

Firm	Product/Business	Number of Employees
Ellsworth Air Force Base	Military Only	3,261
Rapid City Regional Hospital	Health Care	3,100
Rapid City School District	Education	1,698
City of Rapid City	Government	1,515
Federal Government	Government	1,307
South Dakota Army National Guard	Military/Civilian	1,017
State of South Dakota	Government	983
Conseco Finance Corp.	Financial Services	975
Walmart/Sam's Club	Retail/Wholesale	777
Black Hills Corp.	Construction	750
SCI	Computer/Manufacturing	670
Spiegel, Inc.	Customer Service	600
Pennington County	Government	519
Douglas School System	Education	425

Source: Rapid City Area Economic Development

NON-AGRICULTURAL EMPLOYMENT BY INDUSTRY

Industry	2002	2001	2000	1999	1998	1997	1996
Mining and Construction	3,200	3,600	3,500	3,200	3,000	3,100	4,281
Manufacturing	3,800	4,300	4,600	4,500	4,500	4,400	4,596
Transportation and Public Utilities	2,200	2,400	2,200	2,100	2,000	1,900	2,371
Wholesale/ Retail Trade	14,300	14,600	14,400	14,300	14,100	13,900	16,252
Financial, Insurance, Real Estate	2,900	3,200	3,200	3,000	2,700	1,800	3,200
Services	16,100	16,100	15,600	15,300	14,600	14,100	18,849
Government/Gov't Entity	7,100	6,900	7,100	7,300	7,200	7,200	10,549

Source: South Dakota Department of Labor

BANKING

Banking and financial institutions are available to area residents in Rapid City. They are American State Bank, Dacotah Bank, First Bank National Association, Green Tree Retail Services Bank, Wells Fargo Bank South Dakota, Pioneer Bank and Trust, Rushmore Bank and Trust and U.S. Bank National Association. There are also many credit unions serving the County. Year ending bank deposits are listed below for those institutions where balances could be obtained for the Pennington County branches.

Bank	2002	2001	2000	1999	1998
American State Bank	$134,034	$131,777	$107,498	$95,725	$75,519
Green Tree Retail Services Bank	5,703	504	525	719	996
Rushmore Bank and Trust	214,776	203,568	180,658	167,405	141,174

Total Deposits in $000

Source: FDIC Financial Reports

EDUCATION

The Rapid City School District operates 17 elementary schools, five middle schools and two senior high schools. The Rapid City School District employs 983 certified personnel and has total enrollment figures as follows for fall 2002:

Grade	Number of Students
K - 5	5,908
6 - 8	3,199
9 - 12	4,223
Total	13,330

Private and parochial education is also available at 10 schools

The County also has five other school districts serving area residents:

School System	Number of Students	Certified Staff
Custer School System	1,002	90
Douglas School System	2,553	232
Hill City School System	570	49
New Underwood Schools	277	27
Wall Schools	302	33

Post-secondary education is available at the following schools:

Black Hills Beauty College
Black Hills State University-Ellsworth AFB (Extension)
Headlines Academy
Li Institute of Science and Technology
National American University
Rapid City Regional Hospital School of Medical Technology
South Dakota School of Mines and Technology
South Dakota State University (Extension)
University of South Dakota
Western Dakota Vocational Technical School

Source: All School Districts and Rapid City Chamber of Commerce

MEDICAL

Rapid City Regional Hospital is a 366 bed hospital providing services to a five state region. Some of the services provided there include:

Acute Renal Dialysis	Neonatal Nursery
Alcohol and Drug	Obstetrics
Coronary Care	Open Heart Surgery
Emergency Department	Outpatient Surgery
Home Care Unit	Pediatric
Hospice	Psychiatric
Impatient Surgery	Radiology Therapy
Intensive Care Unit	Rehabilitation

There are 244 doctors in the area. There are 18 nursing homes and assisted living facilities in the area which have a total of 465 beds. There are 26 medical clinics, 23 optometrists and 65 dentists. The County has a complex eye care facility, Black Hills Regional Eye Institute, which has eight doctors who provide eye care to a multi-state region and provide teaching and research facilities.

Source: Rapid City Chamber of Commerce and U.S. West Yellow Pages

State law provides for a tax break for new and/or improved commercial and industrial businesses. A discretionary property tax reduction formula is applied to construction completed by November 1 preceding the assessment date of January 1. Each taxing entity has the option of implementing this formula to promote new businesses; the tax break is for five years. There are several industrial businesses that have qualified for the discretionary property tax reduction formula in the Rapid City area.

TAX INCREMENT DISTRICTS

In addition to the discretionary property tax reduction formula described above, municipalities may also create tax increment districts. At the time an increment district is certified, there is an assessed value within its boundary. This valuation is the base value and the county can collect taxes only on the amount of the base value. The additional valuation has the same levy applied but the dollars collected are segregated to pay costs of public improvements within the increment district, including the retirement of tax incremental revenue bonds. As of levy year 2002, there are approximately $40,762,000 of taxable value in tax increment districts.

AREA GROWTH AND DEVELOPMENT

The County has seen increased construction activity for at least the past 8 years. The primary construction outside the corporate limits of the municipalities has been in residential construction located in the areas around the Black Hills. Most of the cities in the County have seen new residential construction. Rapid City has seen several large new residential subdivisions completed with more new developments in the planning stages. Commercial construction is active also, with the completion of the Lowe's store and projections for a new commercial construction area to include a Best Buy and Old Navy. Rapid City Regional Hospital continues to expand its services with other medical facilities being constructed in that area to capitalize on the regional nature of the medical business. The financial sector of the economy is expanding as well with several new buildings completed and other large additions in the near future. Numerous "upscale" apartment complex properties have been completed the past few years with additional properties under construction. The state owned cement plant was recently sold to a private company thus adding over $27 million to the tax base. Several new motel/hotels have recently been completed in the Rapid City and Keystone areas with additional units in the planning stages for Keystone and Hill City.

Public sector investment has expanded as well. Pennington County is in the process of constructing a $5 million event center. Rapid City completed a $4 million hockey facility and has begun the design of a large water park that eventually may include indoor, as well as outdoor, swimming facilities adjacent to the hockey facility.

Rapid City has completed: 1) a $1.6 million gymnasium at the Boys Club, 2) a $5.2 million similar addition to the Girls Club, 3) a $1.2 million clubhouse at Meadowbrook Golf Course, 4) a $3.0 million expansion to the Library, and 5) a new $1.5 million fire substation. Rapid City is in the process of constructing 1) a $3.5 million addition to the Dahl Fine Arts Center, and 2) a $3.8 million contribution towards the construction of two new gymnasiums to be built in cooperation with the school district at two of the junior high schools. Both New Underwood and Hill City completed new high schools and park areas. Keystone completed a new wastewater treatment facility with Rapid City constructing a $25 million upgrade to its wastewater & co-composting facility.

A major update of I-90 is still in progress improving ingress and egress safety to the community. A new exit ramp was constructed to serve Ellsworth Air Force Base to ensure that one of the areas largest employers can continue to exist in the future. An eastside bypass is under construction, which is part of the continued construction of S. Hwy 79, which will eventually link it to I-90 with Denver and eventually Mexico. A westside bypass, a new road, has been constructed by Rapid City improving east to west access. The extension of 5th Street is moving forward and will open up land for future development.

PROPERTY VALUE GROWTH

Beginning in 1996, as a result of state legislation restricting the amount by which local tax revenues can increase each year, county auditors have calculated for each year a "growth increase," which is the portion of the annual increase in assessed taxable value that is attributable to new construction, improvements to, or changes in use of, real property, annexations and other increases in value, other than inflationary or market value increases. Growth increase is the value that the County can use in calculating the maximum amount of tax revenue increase allowed, in addition to the CPI inflation index under the statutory tax freeze (See "SOURCE AND SECURITY FOR PAYMENTS Statutory Tax Freeze" herein.)

Tax Year	County	Utilities	Total
2002	$171,782,163	$22,664,405	$194,446,568
2001	98,685,044	6,812,908	103,497,952
2000	116,575,458	6,718,065	123,293,523
1999	105,124,955	11,780,418	116,905,373
1998	83,372,080	4,666,204	88,038,284
1997	91,167,625	8,369,615	99,537,240
1996	58,940,090	7,716,834	66,656,924
1995	50,022,741	0	50,022,741

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APPENDIX C

AUDITED FINANCIAL REPORTS FOR 2001

PENNINGTON COUNTY, SOUTH DAKOTA

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2001

PENNINGTON COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Pennington County, South Dakota

Compliance

We have audited the compliance of Pennington County, South Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. Pennington County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pennington County's management. Our responsibility is to express an opinion on Pennington County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennington County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pennington County's compliance with those requirements.

The financial statements contained in this report include, as a component unit, the financial transactions of the Pennington County Housing and Redevelopment Commission, which is a legally separate entity that is required by Governmental Accounting Standards Board Statement Number 14 to be included as a part of the financial reporting entity of Pennington County. The Pennington County Housing and Redevelopment Commission fulfills its own audit requirements, including single audit requirements, apart from those of Pennington County, We did not audit compliance applicable to any of the federal awards of the Pennington County Housing and Redevelopment Commission, and, these federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for Pennington County. The Pennington County Housing and Redevelopment Commission was audited in accordance with the requirements of OMB Circular A-133 by other auditors and their report on compliance with requirements applicable to each major program and internal control over compliance with respect to federal programs is contained in their separately issued single audit report on the Pennington County Housing and Redevelopment Commission as of and for the year ended March 31, 2001.

In our opinion, Pennington County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of Pennington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pennington County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As discussed in paragraph three, above, the Pennington County Housing and Redevelopment Commission fulfills its own audit requirements, including single audit requirements, apart from those of Pennington County. Accordingly, we did not perform tests of controls over compliance applicable to any of the federal awards of the Pennington County Housing and Redevelopment Commission. Our report on internal controls over compliance is limited to the legal entity known as Pennington County.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Pennington County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

March 27, 2002

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Pennington County, South Dakota

We have audited the financial statements of Pennington County, South Dakota, as of December 31, 2001, and for the year then ended and have issued our report thereon dated March 27, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

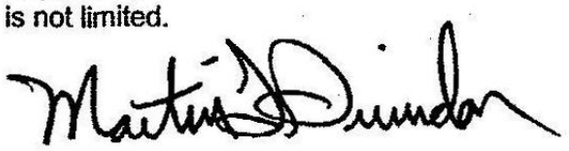
Compliance

As part of obtaining reasonable assurance about whether Pennington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to the management of Pennington County in a separate communication dated March 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pennington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Pennington County in a separate communication dated March 27, 2002.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Pennington County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

March 27, 2002

PENNINGTON COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Audit Findings and Questioned Costs:

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

a. An unqualified opinion was issued on the financial statements.

b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1. Roads and Schools – Grants to States 10.665
2. Payment in Lieu of Taxes – 15.226

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County did qualify as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

Closing Conference

The contents of this report was discussed with the county auditor on March 27, 2002.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pennington County, South Dakota

We have audited the accompanying general-purpose financial statements of Pennington County, South Dakota, as of December 31, 2001, and for the year then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Pennington County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Pennington County Housing and Redevelop Commission a component unit of Pennington County which represent one hundred percent of the December 31, 2001 balances and activities for the year then ended of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Pennington County Housing and Redevelopment Commission, is based solely on the report of the other auditors.

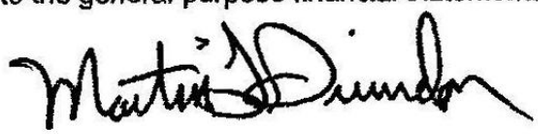
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Pennington County as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2002 on our consideration of Pennington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of the audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Pennington County taken as a whole. The schedules listed in the Table of Contents are presented for purposes of additional analysis including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local*

Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Martin L. Guindon, CPA
Auditor General

March 27, 2002

PENNINGTON COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General Fund	Special Revenue Funds	Capital Projects	Enterprise Fund	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	Component Unit
Assets:									
Current Assets:									
Cash	$ 2,924,939.24	$	$	$	$	$	$	$	$ 1,027,351.00
Restricted Cash	6,171.93	1,139,008.33		77.13					
Taxes Receivable--Current	17,268,908.98	2,818,967.66							
Taxes Receivable--Delinquent	411,212.89	97,034.08							
Accounts Receivable	73,215.85	171,363.80	57.55						567,413.00
Notes Receivable	15,866.70								
Due from other Governments	1,746,339.42	269,812.42							26,880.00
Inventory-Supplies		623,638.07							
Inventory-Donated Foods	276.02								2,968,425.00
Investments	7,283,684.87	5,621,548.70	49,101.98		118,881.84	2,832,194.57			
Unamortized Cost of Issuance				54,110.03					21,583.00
Other Assets									
Total Current Assests	29,730,615.90	10,741,373.26	49,159.53	54,187.16	118,881.84	2,832,194.57	0.00	0.00	4,611,652.00
Fixed Assets:									
Land							794,775.23		889,879.00
Buildings				13,161,521.77			22,308,889.10		23,247,644.00
Less Accumulated Depreciation				(3,948,456.48)					(13,680,038.00)
Furniture and Equipment				203,160.00			3,087,633.01		1,291,144.00
Less Accumulated Depreciation				(182,844.00)					
Machinery and Auto Equipment							7,938,887.95		
Other Fixed Assets							999,579.17		
Construction in Progress									779,052.00
Leasehold Improvements									2,709,113.00
Total Fixed Assets	0.00	0.00	0.00	9,233,381.29	0.00	0.00	35,129,764.46	0.00	15,236,594.00
Other Assets:									
Amount to be Provided for Bond Payment								4,110,000.00	
Amount to be Provided for Other Long-Term Debt								3,159,483.71	
Total Other Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,269,483.71	0.00
TOTAL ASSETS	$ 29,730,615.90	$ 10,741,373.26	$ 49,159.53	$ 9,287,568.45	$ 118,881.84	$ 2,832,194.57	$ 35,129,764.46	$ 7,269,483.71	$ 19,848,246.00

Liabilities and Equity:									
Current Liabilities:									
Accounts Payable	$ 907,278.52	$ 129,579.88	$ 49,159.53	$	$ 75,405.20	$	$	$	$ 498,791.00
Due to Other Governments						2,559,483.11			
Amounts Held for Others						218,989.69			68,775.00
Deferred Revenue	18,701,663.57	3,091,569.94							14,191.00
Current Portion of Bonds Payable and Other Current Liabilities									149,275.00
Total Current Liabilities	19,608,942.09	3,221,149.82	49,159.53	0.00	75,405.20	2,778,472.80	0.00	0.00	731,032.00
Long-Term Liabilities:									
Bonds Payable				3,160,000.00				4,110,000.00	
Less Unamortized Charge				(161,354.64)					
Accrued Leave Payable								1,570,039.44	
Other Long-Term Debt Payable								1,589,444.27	2,863,659.00
Total Long-Term Liabilities	0.00	0.00	0.00	2,998,645.36	0.00	0.00	0.00	7,269,483.71	2,863,659.00
Total Liabilities	19,608,942.09	3,221,149.82	49,159.53	2,998,645.36	75,405.20	2,778,472.80	0.00	7,269,483.71	3,594,691.00
Fund Equity:									
Contributed Capital				2,850,484.26					
Investment in General Fixed Assets							35,129,764.46		16,253,555.00
Retained Earnings Unreserved				3,438,436.83	43,476.64				
Fund Balances:									
Reserve for Inventory	276.02	623,636.07							
Reserve for Drainage	6,171.93								
Reserve for Secondary Roads		1,139,008.33							
Reserve for Old Courthouse		19,362.05							
Reserve for Law Library						53,721.77			
Unreserved Fund Balances:									
Designated for 2002 Budget	1,279,965.00	202.00							
Undesignated	8,835,260.86	5,738,012.99							
Total Fund Equity	10,121,673.81	7,520,223.44	0.00	6,288,923.09	43,476.64	53,721.77	35,129,764.46	0.00	16,253,555.00
TOTAL LIABILITIES & EQUITY	$ 29,730,615.90	$ 10,741,373.26	$ 49,159.53	$ 9,287,568.45	$ 118,881.84	$ 2,832,194.57	$ 35,129,764.46	$ 7,269,483.71	$ 19,848,246.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Year Ended December 31, 2001

	Governmental Fund Types			Fiduciary Fund Types
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Funds
Revenue:				
Taxes	$ 16,546,927.48	$ 3,289,448.89	$	$
Licenses and Permits	240,540.79	35,174.22		
Intergovernmental Revenue	3,110,010.31	4,431,123.71	37,339.00	
Charges for Goods and Services	5,933,902.76	65,846.11		21,841.00
Fines and Forfeits	100,560.35			
Miscellaneous Revenue	1,277,475.24	333,708.36	35,367.98	
Total Revenue	27,209,416.93	8,155,301.29	72,706.98	21,841.00
Expenditures:				
General Government	8,403,465.57	265,544.35		21,485.51
Public Safety	11,026,396.95	1,145,938.13	1,106,828.22	
Public Works	37,044.48	8,598,159.61		
Health and Welfare	3,243,786.69	51,545.00		
Culture and Recreation	110,427.38	111,800.00		
Conservation of Natural Resources	330,087.98			
Urban and Economic Development	432,918.30			
Debt Service	767,630.85	1,083,040.08	6,800.00	
Payments to Local Agencies	194,460.94			
Total Expenditures	24,546,219.14	11,256,027.17	1,113,628.22	21,485.51

Other Financing Sources (Uses):				
Operating Transfers In		2,602,378.00		
Debt/Lease Proceeds	34,914.78			
Operating Transfers Out	(2,602,378.00)			
Total Other Financing Sources (Uses)	(2,567,463.22)	2,602,378.00	0.00	0.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	95,734.57	(498,347.88)	(1,040,921.24)	355.49
Other Changes in Fund Balance:				
Changes in Inventory Reserves	(141.63)	106,626.06		
Fund Balance, January 1, 2001	9,994,543.20	7,911,945.26	1,072,458.91	53,366.28
Residual Equity Transfers In	31,537.67			
Residual Equity Transfers (Out)			(31,537.67)	
FUND BALANCE, DECEMBER 31, 2001	$ 10,121,673.81	$ 7,520,223.44	$ 0.00	$ 53,721.77

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:						
Taxes:						
General Property Taxes--Current	$ 16,207,078.00	$ 15,900,386.00	$ (306,692.00)	$ 2,521,172.00	$ 2,472,136.14	$ (49,035.86)
General Property Taxes--Delinquent	52,500.00	145,038.32	92,538.32	15,510.00	34,028.14	18,518.14
Interest Taxes	28,500.00	25,978.21	(2,521.79)	7,550.00	8,707.31	1,157.31
Telephone Tax (Outside)	230,000.00	304,918.31	74,918.31			
Mobile Home Tax	200,000.00	169,605.14	(30,394.86)	59,280.00	46,915.39	(12,364.61)
911 Telephone Surcharge				623,550.00	727,661.91	104,111.91
Other Taxes-Drainage	0.00	1,001.50	1,001.50			
Licenses and Permits	187,000.00	240,540.79	53,540.79	37,000.00	35,174.22	(1,825.78)
Intergovernmental Revenue:						
Federal Grants	829,337.65	839,569.58	10,231.93	43,000.00	47,137.27	4,137.27
Federal Shared Revenue				556,500.00	797,808.97	241,308.97
Federal Payments in Lieu of Taxes	234,460.94	403,668.96	169,208.02	14,025.00	10,306.38	(3,718.62)
State Grants	13,865.00	13,865.00	0.00			
State Shared Revenue:						
Bank Franchise	125,000.00	138,511.47	13,511.47	20,575.00	24,852.26	4,277.26
MV Prorata/Collection Fees				3,232,000.00	3,362,824.44	130,824.44
Inheritance Tax	0.00	332,063.31	332,063.31			
Liquor Tax Reversion	500.00	625.77	125.77			
10% Game Licenses				44,692.00	43,855.11	(836.89)
Public Defender	163,885.79	163,885.79	0.00			
Abused and Neglected Child Defense	50,383.05	50,383.05	0.00			
Other State Shared Revenue	0.00	3,059.00	3,059.00	58,025.00	8,515.00	(49,510.00)
Other Payments in Lieu of Taxes	15,000.00	15,591.12	591.12	1,510.00	1,200.62	(309.38)
Other Intergovernmental Revenue	1,000,992.13	1,148,787.26	147,795.13	113,960.00	134,623.66	20,663.66
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	85,050.00	112,417.22	27,367.22			
Register of Deeds' Fees	573,500.00	753,562.62	180,062.62			
Drivers License Exam Fees	750.00	1,428.00	678.00			
Legal Services	19,230.00	19,863.91	633.91			
Clerk of Courts Fees	130,000.00	130,928.50	928.50	15,000.00	12,220.00	(2,780.00)
Other Fees	40,700.00	48,464.04	7,764.04			
Public Safety:						
Law Enforcement	370,135.00	382,796.20	12,661.20			
Prisoner Care	2,987,400.00	2,530,995.34	(456,404.66)			
Other Public Safety	1,587,373.81	1,577,626.30	(9,747.51)	15,946.00	15,937.91	(8.09)

Public Works:						
Highways				0.00	35,212.79	35,212.79
Other Public Works				3,375.00	0.00	(3,375.00)
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	164,030.00	233,788.37	69,758.37			
Veteran's Service Officer	3,750.00	3,750.00	0.00			
Weed & Pest Fees	87,385.00	78,427.15	(8,957.85)			
Other Charges	29,400.00	59,855.11	30,455.11	1,000.00	2,475.41	1,475.41
Fines and Forfeits:						
Fines	36,668.84	32,876.01	(3,792.83)			
Costs	55,000.00	66,984.34	11,984.34			
Forfeits	0.00	700.00	700.00			
Miscellaneous Revenue:						
Interest	600,000.00	924,824.03	324,824.03	36,000.00	157,251.15	121,251.15
Investment Earnings	0.00	139,487.41	139,487.41	0.00	345.10	345.10
Rent	68,030.00	66,399.77	(1,630.23)	0.00	2,080.00	2,080.00
Nuisance Ordinance	10,000.00	60.00	(9,940.00)			
Donations/Contributions	231.50	431.50	200.00			
Refund of Prior Year's Expenditures	0.00	20,862.46	20,862.46	0.00	161,617.10	161,617.10
Pay Phone Income	98,800.00	120,739.15	21,939.15			
Other Miscellaneous	12,377.38	4,670.92	(7,706.46)	0.00	12,415.01	12,415.01
Total Revenue	26,298,314.09	27,209,416.93	911,102.84	7,419,670.00	8,155,301.29	735,631.29
Expenditures:						
General Government:						
Legislative:						
Board of County Commissioners	323,257.00	312,757.16	10,499.84			
Contingency	505,000.00					
(Amount Transferred)	(386,000.00)		119,000.00			
Insurance	283,000.00	275,211.47	7,788.53			
Elections	157,829.81	157,829.81	0.00			
Judicial System	277,966.00	275,539.37	2,426.63			
Financial Administration:						
Auditor	224,551.00	224,488.56	62.44			
Treasurer	597,532.00	508,508.74	89,023.26			
Data Processing	461,678.66	460,490.12	1,188.54			
Legal Services:						
State's Attorney/Victim's Assistance	1,535,457.50	1,528,676.82	6,780.68			
Public Defender/Public Advocate	939,370.00	924,873.12	14,496.88			
Court Appointed Attorney	200,000.00	136,914.12	63,085.88			
Abused/Neglected Child Defense	211,185.00	244,362.93	(33,177.93)			

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2001
(continued)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Administration:						
Geographical Information Systems	100,000.00	100,000.00	0.00			
Buildings and Grounds	2,100,441.00	2,077,002.79	23,438.21	362,200.00	265,544.35	96,655.65
Director of Equalization	912,147.00	827,648.24	84,498.76			
Register of Deeds	274,157.00	274,015.38	141.62			
Service Station	78,293.00	70,858.52	7,434.48			
Animal Damage	4,289.00	4,288.42	0.58			
Public Safety:						
Law Enforcement:						
Sheriff	4,029,644.26	3,978,389.24	51,255.02			
Jail	3,278,327.00	3,265,720.01	12,606.99	110,360.00	110,359.34	0.66
Coroner	74,900.00	64,826.22	10,073.78			
Detention	3,095,004.00	2,823,105.29	271,898.71			
Dog Control	91,438.00	84,966.43	6,471.57			
Drug Seizure				49,025.00	16,384.87	32,640.13
Protective and Emergency Services:						
Fire Protection				120,463.00	114,077.85	6,385.15
Emergency and Disaster Services				389,685.00	96,952.41	292,732.59
Hazmat/Search and Rescue/Dive Team	64,642.00	59,874.50	4,767.50	9,000.00	8,953.13	46.87
Communications	745,793.00	723,015.26	22,777.74	845,009.00	799,210.53	45,798.47
Flood Warning	26,500.00	26,500.00	0.00			
Public Works:						
Highways and Bridges:						
Roads and Bridges				9,130,225.34	8,598,159.61	532,065.73
Ordinance Enforcement	51,847.00	37,044.48	14,802.52			
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,229,302.12	882,103.97	347,198.15			
Catastrophic Hospital	90,200.00	32,546.00	57,654.00			
Health Assistance:						
Nursing Contract	43,260.00	43,260.00	0.00			
Health Clinic	50,000.00	50,000.00	0.00			
Ambulance Contracts	11,630.00	11,630.00	0.00			
Social Services	16,815.00	16,815.00	0.00	52,000.00	51,545.00	455.00

Mental Health Services:						
Mentally Handicapped	686,174.00	663,485.58	22,688.42			
Drug and Alcohol Prevention	76,826.81	73,527.06	3,299.75			
Detoxification Unit	1,402,168.00	1,380,942.08	21,225.92			
Mental Health Center	89,477.00	89,477.00	0.00			
Culture and Recreation:						
Culture:						
Public Library				111,800.00	111,800.00	0.00
Central States Fair	161,527.38	110,427.38	51,100.00			
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	73,564.39	73,227.70	336.69			
Soil Conservation Districts	59,576.00	59,566.00	10.00			
Weed and Pest Control	197,299.00	197,294.28	4.72			
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	275,254.00	276,252.90	(998.90)			
Drainage	105,165.40	105,165.40	0.00			
Economic Development	51,500.00	51,500.00	0.00			
Debt Service:						
Principal	696,533.00	634,876.31	61,656.69	975,071.00	797,937.69	177,133.31
Interest	149,000.00	129,254.54	19,745.46	281,205.00	280,276.89	928.11
Other Debt Service	3,500.00	3,500.00	0.00	5,250.00	4,825.50	424.50
Payment to Local Agencies	194,460.94	194,460.94	0.00			
Total Expenditures	25,921,482.27	24,546,219.14	1,375,263.13	12,441,293.34	11,256,027.17	1,185,266.17
Other Financing Sources (Uses):						
Operating Transfers In				2,602,378.00	2,602,378.00	0.00
Debt/Lease Proceeds	34,914.78	34,914.78	0.00			
Sale of Fixed Assets	2,000.00	0.00	(2,000.00)			
Operating Transfers Out	(2,602,378.00)	(2,602,378.00)	0.00			
Total Other Financing Sources (Uses)	(2,565,463.22)	(2,567,463.22)	(2,000.00)	2,602,378.00	2,602,378.00	0.00
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(2,188,631.40)	95,734.57	2,284,365.97	(2,419,245.34)	(498,347.88)	1,920,897.46
Other Changes in Fund Balance:						
Changes in Inventory of Reserves	0.00	(141.63)	(141.63)	0.00	106,626.06	106,626.06
Fund Balance, January 1, 2001	9,994,543.20	9,994,543.20	0.00	7,911,945.26	7,911,945.26	0.00
Residual Equity Transfers In	0.00	31,537.67	31,537.67			
FUND BALANCE, DECEMBER 31, 2001	$ 7,805,911.80	$ 10,121,673.81	$ 2,315,762.01	$ 5,492,699.92	$ 7,520,223.44	$ 2,027,523.52

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2001
(continued)

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Intergovernmental Revenue:			
State Grants	$ 0.00	$ 37,339.00	$ 37,339.00
Miscellaneous Revenue:			
Investment Earnings	0.00	35,367.98	35,367.98
Total Revenue	0.00	72,706.98	72,706.98
Expenditures:			
Public Safety:			
Law Enforcement:			
Detention	1,134,305.00	1,106,828.22	27,476.78
Debt Service:			
Other Debt Service	6,800.00	6,800.00	0.00
Total Expenditures	1,141,105.00	1,113,628.22	27,476.78
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,141,105.00)	(1,040,921.24)	100,183.76
Fund Balance, January 1, 2001	1,072,458.91	1,072,458.91	0.00
Residual Equity Transfers (Out)	0.00	(31,537.67)	(31,537.67)
FUND BALANCE, DECEMBER 31, 2001	$ (68,646.09)	$ 0.00	$ 68,646.09

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2001

	Proprietary Fund Types		
	Enterprise Funds	Internal Service	Component Unit
Operating Revenue:			
Federal Grants	$	$	$ 5,466,699.00
Charges for Goods and Services	804,045.26		1,287,098.00
Contributions		1,518,007.60	
Miscellaneous			154,114.00
Total Operating Revenue	804,045.26	1,518,007.60	6,907,911.00
Operating Expenses:			
Personal Services		(273,274.32)	
Interest and Fiscal Expenses			(96,014.00)
Depreciation	(329,038.04)		(1,108,434.00)
Benefit Payments		(1,485,837.98)	(3,618,330.00)
Operating Expenses			(1,939,219.00)
Total Operating Expenses	(329,038.04)	(1,759,112.30)	(6,761,997.00)
Operating Income (Loss)	475,007.22	(241,104.70)	145,914.00
Nonoperating Revenue (Expense):			
Investment Earnings	712.28	50,958.04	245,886.00
Interest and Fiscal Expenses	(246,656.53)		
Gain (Loss) on the Sale of Fixed Assets			2,131.00
Total Nonoperating Revenue (Expense)	(245,944.25)	50,958.04	248,017.00
Net Income (Loss)	229,062.97	(190,146.66)	393,931.00
Retained Earnings, January 1, 2001	3,209,375.86	233,623.30	15,853,540.00
Adjustments:			
Prior Period Adjustment			6,084.00
RETAINED EARNINGS, DECEMBER 31, 2001	$ 3,438,438.83	$ 43,476.64	$ 16,253,555.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2001

	Proprietary Fund Types		
	Enterprise Funds	Internal Service	Component Unit
Cash Flows from Operating Activities:			
Operating Income/Loss	$ 475,007.22	$ (241,104.70)	$ 145,914.00
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	329,038.04		1,108,434.00
Increase (Decrease) in Accounts Payable		(40,462.80)	(335,541.00)
Increase (Decrease) in Other Liabilities			(305,247.00)
(Increase) Decrease in Accounts Receivable			212,568.00
(Increase) Decrease in Other Assets			4,180.00
Other Changes			52,419.00
Net Cash Provided (Used) by Operating Activities	804,045.26	(281,567.50)	882,727.00
Cash Flows from Capital and Related Financing Activities:			
Bond Payment	(610,000.00)		(194,513.00)
Interest Payment	(194,945.00)		
Decrease in Investments			378,517.00
Purchase of Equipment			(1,007,422.00)
Proceeds from Sale of Equipment			6,684.00
Total Cash Flows from Capital and Related Financing Activities	(804,945.00)	0.00	(816,734.00)
Cash Flows from Investing Activities:			
Net Interest Received	712.28	50,958.04	
Net Increase (Decrease) in Cash and Cash Equivalents	(187.46)	(230,609.46)	65,993.00
Cash and Cash Equivalents at Beginning of Year	264.59	349,491.30	1,479,961.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 77.13	$ 118,881.84	$ 1,545,954.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the board of county commissioners.

The accounting policies of the county conform to generally accepted accounting principles as applicable to governments.

The Component unit reported is the Pennington County Housing and Redevelopment Commission and is a proprietary fund type organization that is legally separate from the county but is considered a part of the reporting entity because it is fiscally dependent upon the county in several key areas. The Pennington County Housing and Redevelopment Commission is the only component unit reported by the entity. The commission has a fiscal year ending March 31.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and six generic fund types as follows:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital project funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Juvenile Services Center Fund is the only capital projects fund maintained by the county.

Proprietary Funds:

Enterprise funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Jail Compact Fund is the only enterprise fund maintained by the county.

Internal service funds - internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Health Care Fund is the only internal service fund maintained by the county.

The enterprise fund does not apply all FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Trust and agency funds - trust and agency funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c. Fixed Assets and Long-Term Liabilities:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

The December 31, 2001 balance of general fixed assets all represent the original costs. The December 31, 2001 proprietary fund fixed assets all represent the original cost.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which are accrued at December 31, 2001 are highway billings, board of prisoners and other receivables from various departments of the county.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the board of county commissioners prepares and files with the county auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The board of county commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.

4. Before October first of each year the board of county commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the county auditor.

5. After adoption by the board of county commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the board of county commissioners.

   Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds and capital projects funds.

   The county did not encumber any amounts at December 31, 2001.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital projects funds.

10. Budgets for the General Fund and special revenue funds and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

The county follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The county deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The county's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2001 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 343,001.82
Uninsured, collateral jointly held by state's/ municipality's agent in the name of the state and the pledging financial insitution.	11,404,452.05
Total Deposits	$ 11,747,453.87

The carrying amount of deposits on the December 31, 2001 balance sheet was $11,914,941.87.

Investments - In general, SDCL 4-5-6 permits county funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value.

The entity's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

The investments at December 31, 2001 were as follows:

	Category 1	Fair Value
U.S. Government Securities:		
Federal Home Loan Bank	$ 1,227,961.37	$ 1,227,961.37
Federal National Mortgage Association	788,303.46	788,303.46
Government National Mortgage Association	627,228.15	627,228.15
Dain Rausher Certificates of Deposit	197,739.10	197,739.10
Subtotal	$ 2,841,232.08	$ 2,841,232.08
Mutual Funds:		
U.S. Government Fund-- Wells Fargo		1,714,334.44
Dain Rauscher Mutual Fund		3,033,584.09
Morgan Stanley Mutual Fund		471,438.98
First American Government Obligation Institutional Fund U.S. Bank		77.13
Total Investments		$ 8,060,666.72

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is average cost. Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

h. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

i. Cash Flows:

The county pools its cash resources for depositing and investing purposes. The proprietary funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The county is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation of the property in the county.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2001 is as follows:

	Balance 1/1/01	Additions	Deletions	Balance 12/31/01
Land	$ 794,775.23	$	$	$ 794,775.23
Buildings	18,751,948.85	3,556,940.25		22,308,889.10
Furniture and Equipment	2,863,952.36	251,634.93	(27,954.28)	3,087,633.01
Machinery and Equipment	7,749,823.70	2,010,064.15	(1,820,999.90)	7,938,887.95
Other Fixed Assets	999,579.17			999,579.17
Construction Work in Progress	2,473,581.09		(2,473,581.09)	
Total	$ 33,633,660.40	$ 5,818,639.33	$ (4,322,535.27)	$ 35,129,764.46

4. CHANGES IN COMPONENT UNIT FIXED ASSETS

A summary of changes in component unit fixed assets for the year ended March 31, 2001 is as follows:

	Balance 4/1/00	Additions	Deletions	Balance 3/31/01
Land	$ 889,679.00	$	$	$ 889,679.00
Buildings	23,025,473.00	222,171.00		23,247,644.00
Furniture and Equipment	413,079.00	878,065.00		1,291,144.00
Leasehold Improvements	2,565,534.00	143,579.00		2,709,113.00
Construction Work in Progress	1,082,872.00		(303,820.00)	779,052.00
TOTAL	$ 27,976,637.00	$ 1,243,815.00	$ (303,820.00)	$ 28,916,632.00
Less Accumulated Depreciation	$ (12,634,478.00)	$ 1,045,560.00	$	$ (13,680,038.00)
Net Component Unit Fixed Assets	$ 15,342,159.00			$ 15,236,594.00

5. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Installment Contract	Compensated Absences	Certificates of Participation	Total	Component Unit Long-Term Debt
Debt Payable, January 1, 2001	$ 3,480,454.63	$ 1,337,360.38	$ 8,125,000.00	$ 12,942,815.01	$ 3,160,595.00
New Issues	34,914.78			34,914.78	
Change in Compensated Absences		232,679.06		232,679.06	
Retired	(1,925,925.14)		(855,000.00)	(2,780,925.14)	(199,173.00)
Debt Payable, December 31, 2001	$ 1,589,444.27	$ 1,570,039.44	$ 7,270,000.00	$ 10,429,483.71	$ 2,961,422.00

Debt payable at December 31, 2001 is comprised of the following:

Certificates of Participation Bonds:

Jail Compact Certificates – Interest rates from 3 percent to 5.75 percent – Maturity 6/1/2006 – Payable from the Jail Compact Fund (see following explanation)	$ 3,160,000.00
Western South Dakota Juvenile Detention Center –Interest rates from 4.25 percent to 6.6 percent – Maturing 5-1-13 – Payable from General Fund	$ 1,360,000.00
Western South Dakota Juvenile Detention Center, Series 2000 – Interest Rates from 4.5 percent to 5.4 percent – Maturing 5/1/13 – Payable from Courthouse Building Fund	$2,750,000.00

Compensated Absences:

Accrued Leave Liability at December 31, 2001	$ 1,570,039.44

Installment Contracts:

Master Equipment Lease – Norwest Investment Services – Purchase of various property and equipment – Interest rate of 5.6 percent to 5.97 percent – Maturity dates vary – Payable from General Fund. Maximum limit for the lease is $3,300,000	$ 1,254,905.31
Automated System, Inc. Lease –Software – Interest rate of 0 percent – Maturity date 2/1/03 – Payable from General Fund	$ 33,400.00
Coyote Leasing – Highway Equipment – Interest rate of 6.14 percent – Maturity date 3/31/05 – Payable from Highway Fund	$ 301,138.96

The annual requirements to amortize all debt outstanding as of December 31, 2001, except for compensated absences but including interest payments of $2,149,573.81 are as follows:

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT
December 31, 2001

Year Ending December 31,	Installment Contract	Bonds Payable	Total
2002	$ 584,994.77	$ 1,274,096.25	$ 1,859,091.02
2003	561,222.66	1,272,514.25	1,833,736.91
2004	460,859.15	1,272,326.00	1,733,185.15
2005	177,750.00	1,272,913.00	1,450,663.00
2006	0.00	869,467.50	869,467.50
2007	0.00	471,470.00	471,470.00
2008	0.00	468,467.50	468,467.50
2009	0.00	464,430.00	464,430.00
2010	0.00	464,148.00	464,148.00
2011	0.00	472,176.00	472,176.00
2012	0.00	453,968.00	453,968.00
2013	0.00	468,215.00	468,215.00
TOTAL	$ 1,784,826.58	$ 9,224,191.50	$ 11,009,018.08

The Certificates of participation listed above are a refunding of debt issued by the Pennington County Building Authority for the purpose of constructing a jail facility. This jail facility will be leased by the Jail Compact with lease payments corresponding to the principal and interest due on the certificates.

The county has the authority to levy the maximum amount of taxes allowed in the county's Accumulated Building Fund. The revenues of this fund will be used to finance the costs of construction which exceed the amount raised by the certificates of participation and for the minimum payments for the use of the jail facility payable to the Jail Compact Fund.

Per the agreement signed by the county with the Jail Compact, the county is responsible for the operation and maintenance of the jail facility and will make minimum payments for the use of the jail facility equal to the amount of principal and interest due on the lease.

The funds established to account for the money held by the Building Authority and the Jail Compact are included in the financial statement of the county. Based on an analysis of GASB reporting standards, the Building Authority and the Jail Compact meet the definition of the reporting entity as county officials are the board of directors of the Building Authority and Jail Compact.

Upon full payment of the certificates of participation, the Jail Compact agreement will be terminated. Upon termination any assets held by the Compact will be conveyed to Pennington County.

6. CONDUIT DEBT

In the past, the county has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the county, the State of south Dakota, or any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2001, there were two series of conduit bonds outstanding, with an aggregate unpaid principal amount of $2,545,000.

7. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the county maintains only one enterprise fund which provides for the housing of prisoners services. The working capital (current assets minus current liabilities) of the Jail Compact Fund at December 31, 2001 is $54,187.16.

8. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 5 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The county's share of contributions to the SDRS for the fiscal years ended December 31, 2001, 2000, and 1999 were $906,979.10, $853,327.00 and $720,344.00, respectively, equal to the required contributions each year.

9. LITIGATION

At December 31, 2001, the county was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the county has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects would be anticipated to the county as result of the outcome of these lawsuits.

10. SUBSEQUENT EVENTS

On February 19, 2002 the county commission approved a resolution relating to the lease purchase of a $4.5 million event center to be built at the Central States Fair Grounds.

11. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2001, the county managed its risks as follows:

Employee Health Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental claims of county employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to $35,000 and any administrative costs relative to the processing of the claims. Medical and dental claims exceeding this amount are covered through private insurance carriers. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2001, the county had retained earnings in the amount of $43,476.64 in the Health Care Fund for the payment of future health and dental claims.

Liability Insurance:

The county joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide coverage for:

General Liability Coverage
Automobile Coverage
Errors and Omissions of Officials and Employees

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a $5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. The county carries a $2,500 deductible for the General Liability coverage, $2,500 to $4,000 deductible for the Errors and Omissions coverage and $500 deductible for the Automobile coverage.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation:

The county joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first $250,000 of any claim per individual. The pool has reinsurance which covers up to $10,000,000 per individual per incident.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The county provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2001

Board of Commissioners:

Kendra Larson – Chairperson
James Kjerstad
Delores Coffing
Ken Davis
Lyle Hendrickson

Auditor:

Julie Pearson

Treasurer:

Janet Sayler

State's Attorney:

Glenn Brenner

Register of Deeds:

Donna Mayer

Sheriff:

Don Holloway

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2001

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2001
US Department of Agriculture:			
Direct Federal Funding:			
Forest Service,			
Schools and Roads - Grants to Counties (Bankhead Jones) (Note 2) (Note 4)	10.666		$ 8,814.55
Indirect Federal Funding:			
South Dakota State University,			
Cooperative Extension Services	10.500		4,602.39
SD Department of Education,			
Food Distribution			
Cost Value of Commodities Used, Jail	10.550		1,460.00
Cost Value of Commodities Used, JSC	10.550		3,227.87
School Breakfast Program (Note 2)	10.553		25,137.09
National School Lunch Program (Note 2)	10.555		57,839.77
SD State Auditor,			
Forest Apportionment--Schools and Roads--Grants to States (Note 2) (Note 3) (Note 4)	10.665		1,148,898.87
Total US Department of Agriculture			1,249,980.54
Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (Note 2) (Note 4)	15.226		415,155.00
Department of Justice:			
Direct Federal Funding:			
Bureau of Justice Assistance,			
Local Law Enforcement Block Grants Program	16.592		85,168.00
Office of Community Oriented Policing Services,			
Public Safety Partnership and Community Policing Grant	16.710		239,244.00
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Accountability Incentive Block Grants	16.523		143,329.80
City of Rapid City,			
Juvenile Accountability Incentive Block Grants	16.523		96,125.57
SD Department of Social Services,			
Crime Victims Assistance	16.575	VOCA-01-45	24,000.00
Violence Against Women Formula Grants	16.588	STOP-00P-36	23,250.00
Violence Against Women Formula Grants	16.588	STOP-02P-36	24,103.50
Total Department of Justice			635,220.87

General Services Administration:		
Indirect Federal Funding:		
SD Federal Property Agency,		
Donation of Federal Surplus		
Personal Property (Note 5)	39.003	5,647.25
Federal Emergency Management Agency:		
Indirect Federal Funding:		
SD Department of Military & Veterans' Affairs,		
Emergency Management Performance Grants	83.552	47,137.27
Other Federal Assistance:		
Direct Federal Funding:		
Department of Justice,		
Indirect Federal Funding:		
SD Attorney General,		
High Intensity Drug Trafficking Area	07.999	116,769.46
GRAND TOTAL		$ 2,469,910.39

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: *Of the federal expenditures presented in the schedule, the county provided federal awards to sub-recipients as follows:*

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads Grants to Counties	10.666	$ 5,907.27
Schools and Roads Grants to States	10.665	$ 574,449.43
Payment in Lieu of Taxes	15.226	$ 188,553.67

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
DETOX
For the Year Ended December 31, 2001

Revenues:	
City of Rapid City	$ 174,000.00
State of South Dakota	539,033.00
Charges/Fees	90,507.01
Other Counties	37,230.00
Pennington County	204,696.69
Homeless	20,100.00
JSC	71,467.00
Work Release	13,090.79
DWI Assessment	68,980.00
Federal Board of Prisoners	161,837.59
Total Revenues	1,380,942.08
Expenditures:	
Salaries	944,965.95
OASI	69,645.83
Retirement	45,569.93
Workman's Compensations	8,843.18
Group Insurance	58,771.69
Liability Insurance	2,800.00
Service and Fees	80,433.65
Maintenance	6,766.48
Supplies	44,480.28
Travel	9,855.62
Utilities	27,831.73
Food Service	46,463.73
Furniture and Equipment	20,678.43
Training	7,140.56
Medical	6,695.02
Total Expenditures	1,380,942.08
EXCESS OF REVENUES OVER EXPENDITURES	$ 0.00

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2001

Beginning Balance - January 1, 2001	$	0.00
Revenues:		
School Lunch Program		82,976.86
Pennington County		1,232,301.93
Butte County		38,894.44
Harding County		12,106.86
Lawrence County		124,017.38
Meade County		109,935.62
Custer County		44,291.51
Fall River County		49,350.05
Room and Board - Other Counties		82,378.75
Room and Board - State		164,756.50
Room and Board - Federal		994,669.00
Fees and Charges		15,670.47
Pay Phone Charges		10,630.61
Total Revenues		2,961,979.98
Expenditures:		
Salaries		1,759,326.25
OASI		129,471.82
Retirement		136,488.18
Workman's Compensations		24,276.15
Group Insurance		105,279.11
Liability Insurance (Auto)		24,503.07
Service and Fees		147,430.60
Repairs and Maintenance		9,360.72
Supplies		89,041.09
Training and Travel		12,466.33
Utilities		10,573.76
Food Service		81,742.04
Data Processing		23,808.18
Furniture and Equipment		30,730.59
Medical Supplies		8,088.31
Maintenance (Buildings and Grounds)		172,963.42
Total Expenditures		2,765,549.62
Excess of Revenues Over Expenditures		196,430.36
Refund Checks to Participating Counties		196,430.36
Ending Balance - December 31, 2001	$	0.00

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APPENDIX D

CONTINUING DISCLOSURE

In order to permit bidders for the Series 2003 Certificates and other participating underwriters in the primary offering of the Series 2003 Certificates to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as in effect and interpreted from time to time, the "Rule"), the County will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of any Series 2003 Certificates which are outstanding, in the Continuing Disclosure Agreement to provide certain specified information, if customarily prepared and publicly available, and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The County is the only "obligated person" in respect of the Series 2003 Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

Breach of the Disclosure Covenants will not constitute a default under the Declaration of Trust or the Continuing Disclosure Agreement or the Series 2003 Certificates. A broker or dealer is to consider a known breach of the Disclosure Covenants before recommending the purchase or sale of Series 2003 Certificates in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2003 Certificates and their market price.

As used herein, "Owner" or "Certificateowner" means, in respect of a Series 2003 Certificate, the registered holder or holders thereof appearing in the bond register maintained by the Registrar or any "Beneficial Owner" (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Series 2003 Certificate, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2003 Certificate (including persons or entities holding Series 2003 Certificates through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Series 2003 Certificate for federal income tax purposes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2003 Certificate or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Disclosure Covenants or information generally available to the public. Notwithstanding the foregoing sentence, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 2003 Certificate within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

Information To Be Disclosed

The County will provide, in the manner set forth under "Manner of Disclosure" below, either directly or indirectly through an agent designated by the County, the following information at the following times:

Annual Information

At least annually to the state information depository then designated or operated by the State of South Dakota (the "State Depository"), if any, or, if no State Depository then exists, to any person or entity upon request, the financial and statistical information (the "Disclosure Information") of the type contained under the heading "Information Concerning the County" in Appendix B to the Official Statement, which information may be unaudited and which, for financial statement information, shall be for the most recent fiscal year of the County (if in response to a request, the most recent fiscal year ending not less than 270 days before the date of the request), and, for other such information, the information most recently compiled by the County on a customary basis and publicly available under applicable data privacy or other laws.

Requests for Disclosure Information should be directed to:

Julie A. Pearson, County Auditor
Pennington County Courthouse
315 St. Joseph Street
Rapid City, South Dakota 57701
Telephone: (605) 394-2153

If any part of the Disclosure Information is changed because it is no longer compiled or publicly available or can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such discontinued operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact and such data is customarily compiled and publicly available, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by the Declaration of Trust or the Continuing Disclosure Agreement, then the County is to include in the next Disclosure Information to be delivered under the Disclosure Covenants, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Material Events

In a timely manner to the Municipal Securities Rulemaking Board and to the State Depository, if any, notice of the occurrence of any of the following events which is a Material Fact:

(A) Principal and interest payment delinquencies;
(B) Non-payment related defaults;
(C) Unscheduled draws on debt service reserves reflecting financial difficulties;
(D) Unscheduled draws on credit enhancements reflecting financial difficulties;
(E) Substitution of credit or liquidity providers, or their failure to perform;
(F) Adverse tax opinions or events affecting the tax-exempt status of the security;
(G) Modifications to rights of security holders;
(H) Bond calls;
(I) Defeasances;
(J) Release, substitution, or sale of property securing repayment of the securities; and
(K) Rating changes.

The County notes that, since no debt service reserve fund secures the Series 2003 Certificates and there is no credit enhancement securing the Series 2003 Certificates on the date of issue, the events listed in clauses (C), (D) and (E) may not be applicable.

Certain Other Information

In a timely manner to the State Depository or, if no State Depository then exists, with the next delivery of the Disclosure Information, notice of the occurrence of any of the following events or conditions:

(A) the amendment or supplementing of the Disclosure Covenants pursuant to the Declaration of Trust and the Continuing Disclosure Agreement, together with a copy of such amendment or supplement and any explanation provided by the County under the Disclosure Covenants;

(B) the termination of the obligations of the County under the Disclosure Covenants pursuant to the Declaration of Trust and the Continuing Disclosure Agreement;

(C) any change in the accounting principles pursuant to which any financial statements constituting a portion of the Disclosure Information are prepared, and

(D) any change in the fiscal year of the County.

Term

The Disclosure Covenants shall remain in effect until all Series 2003 Certificates have been paid or defeased under the Declaration of Trust. Notwithstanding the preceding sentence, however, the Disclosure Covenants shall terminate and be without further effect as of any date on which the County delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the Disclosure Covenants will not cause participating underwriters in the primary offering of the Series 2003 Certificates to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Amendments; Interpretation

The Disclosure Covenants (and the form and requirements of the Disclosure Information) may be amended or supplemented by the County from time to time, without notice to or the consent of the Owners of any Series 2003 Certificates, by a resolution of the governing body of the County filed in the office of the recording officer of the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (d)(2) of the Rule; (ii) the Disclosure Covenants as so amended or supplemented would have complied with the requirements of paragraph (d)(2) of the Rule at the time of the primary offering of the Series 2003 Certificates, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Series 2003 Certificateowners under the Rule. If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

The Disclosure Covenants are to be construed so as to satisfy the requirements of paragraph (d)(2) of the Rule.

Default Remedies

If the County fails to comply with any of the Disclosure Covenants, any person aggrieved thereby, including the Owners of any Outstanding Series 2003 Certificates, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any such covenant. Direct, indirect, consequential and punitive damages shall not be recoverable, however, for any default thereunder to the extent permitted by law. In no event shall a default under the Disclosure Covenants constitute a default under the Series 2003 Certificates or under any other provision of the Declaration of Trust or the Continuing Disclosure Agreement.

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APPENDIX E
SPECIMEN INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

A Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby nditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment red to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the ipal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations hat term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity uant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of cipal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered n any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner in the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein ectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

on receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written ice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is n due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of ch nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or esentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the sured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such wners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured mounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. his policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

s used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the derlying security for the Obligations.

ny service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of ocess shall be valid and binding.

his policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the bligations.

WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [ONTH, YEAR].

MBIA Insurance Corporation

_____
President

_____
Assistant Secretary

D-R-6
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